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February 19, 2021

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

Re: Application of Daufuskie Island Utility Company, Incorporated for Approval of an
Increase for Water and Sewer Rates, Terms and Conditions
Docket No. 2014-346-WS

Dear Ms. Boyd:

Enclosed, please find the South Carolina Office of Regulatory Staff's Settlement
Testimony and Affidavit verifying the pre-filed Settlement Testimony of Dawn M. Hipp filed in
the referenced matter on February 19, 2021.

Yours Truly,

Andrew M. Bateman

Encl.

cc: Parties of Record (via E-mail)
David Butler, Esquire (via E-mail)

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2014-346-WS

February 19, 2021

| | | | |
|--------|---------------------------------|---|----------------------|
| IN RE: | APPLICATION OF DAUFUSKIE ISLAND |) | |
| | UTILITY COMPOANY, INCORPORATED |) | AFFIDAVIT OF |
| | FOR APPROVAL OF AN INCREASE FOR |) | DAWN M. HIPPI |
| | WATER AND SEWER RATES, TERMS |) | |
| | AND CONDITIONS |) | |

The Affiant, after having been first duly sworn, deposes and states as follows:

1. I, Dawn M. Hipp, am employed by the South Carolina Office of Regulatory Staff as the Chief Operating Officer.
2. My office is located at 1401 Main Street, Suite 900, Columbia, South Carolina 29201.
3. I have read and verified my pre-filed Settlement Testimony, which was e-filed with the Public Service Commission of South Carolina on February 19, 2021 and consists of five pages.
4. The contents of my pre-filed Settlement Testimony are true and correct to the best of my knowledge.

AND FURTHER THE AFFIANT SAYETH NOT.

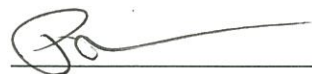
SIGNATURE OF AFFIANT ON SEPARATE PAGE



Dawn M. Hipp
Chief Operating Officer
South Carolina Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201

Sworn and subscribed before me
this 19th day of February, 2021

Pam McMillan



Notary Public for South Carolina

My Commission Expires: 4/11/24

SETTLEMENT TESTIMONY OF

DAWN M. HIPPI

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2014-346-WS

**IN RE: APPLICATION OF DAUFUSKIE ISLAND UTILITY COMPANY,
INCORPORATED FOR APPROVAL OF AN INCREASE FOR WATER AND
SEWER RATES, TERMS AND CONDITIONS**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Dawn M. Hipp. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Chief Operating Officer of the South Carolina Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my bachelor's degree in political science from Minnesota State University - Moorhead. Prior to my employment with ORS, I managed the financial, operations and regulatory aspects for an environmental company that provided turn-key hazardous waste consulting services for the United States Department of Defense.

In 2004, I joined ORS as a Program Specialist for the Water and Wastewater Department. I became a Director in 2007, and in 2018, was promoted to the position of Chief Operating Officer with responsibility for all ORS operational functions within the following divisions: Energy Policy; Utility Rates and Services; Telecommunications; Consumer Services; and Safety, Transportation, and Emergency Response.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes, I have previously testified before the Commission.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS PROCEEDING?

A. The purpose of this Settlement testimony is to briefly explain and provide support for the Settlement Agreement (“Settlement”) reached among Daufuskie Island Utility Company, Incorporated (“DIUC”), ORS, and the Haig Point Club and Community Association, Inc. (“HPCCA”); Melrose Property Owner’s Association, Inc. (“MPOA”); and Bloody Point Property Owner’s Association (“BPPOA,” collectively referred to herein as the “POAs”) (all parties collectively referred to herein as the “Parties”).

Q. PLEASE EXPLAIN THE SETTLEMENT AGREEMENT.

A. The Parties reached an Agreement that settles all but one of the issues in this proceeding. The Parties have reached agreement on the following items:

1. **Rate Case Expenses:** In addition to the \$272,382 of rate case expenses previously recommended for recovery by ORS, approved by the Commission in Order No. 2018-68, and currently reflected in rates charged to customers, the Parties agree to recovery of \$542,978 for Guastella Associates’ rate case expenses incurred by

DIUC through September 30, 2017, and supplemental legal rate case expenses of \$95,430, with both amounts to be amortized over a three (3) year period. DIUC has also incurred additional rate case expenses, both Guastella Associates' rate case expenses and legal rate case expenses, in conjunction with this rate proceeding. DIUC will delay seeking recovery of these additional rate case expenses until its next rate filing, and the Parties agree to reserve their positions as to DIUC's recovery of these additional rate case expenses for consideration in DIUC's next rate case.

2. **Rate Base / Utility Plant in Service:** DIUC's Application included \$8,139,260 of reported used and useful facilities included in Utility Plant in Service. Commission Orders 2015-846 and 2018-68 both reduced that amount by \$699,361. The inclusion of \$542,978 for Guastella Associates' rate case expenses along with the additional legal rate case expenses, related minor, and fall-out adjustments generates \$2,267,714 of annual revenue for DIUC. As shown in DIUC's Second Revised Notice of Filing the rates most recently noticed to DIUC customers indicated annual revenue of \$2,267,722. Including the \$699,361 in Utility Plant In Service would result in rates that exceed the noticed revenue of \$2,267,722. Therefore, DIUC agreed to delay seeking recovery of the corresponding \$699,361 until its next rate filing, and the Parties agreed to reserve their positions as to the \$699,361 reduction to Utility Plant in Service for consideration in DIUC's next rate case.

3. **Reparations Procedure:** DIUC asserts the temporary rates permitted by Order 2015-846's rate increase of 43%, which was mitigated but not corrected by Order

2018-68's further changes permitting a rate increase of 88.5%, were confiscatory. Accordingly, DIUC seeks reparations to recoup through a surcharge its shortfall in revenues and a previously made credit/refund previously made. ORS and the Intervenor disagree with DIUC's assertion. ORS asserts that because DIUC chose not to put its requested (applied for) rates into effect under bond pending resolution of the second appeal, it cannot collect revenues from its customers going forward which it claims to have lost as a result of its decision to not post a bond while the current appeal was pending. ORS also asserts that DIUC is prohibited from charging its customers any interest on any alleged lost revenues because rate-making is a prospective rather than a retroactive process. It is ORS's position that retroactive ratemaking is prohibited based on the principle that customers who use service provided by a utility should pay for its production rather than requiring future customers to pay for past use. S.C. Elec. & Gas Co. v. Pub. Serv. Comm'n, 275 S.C. 487, 272 S.E.2d 793 (1980). Accordingly, the Settlement contains a procedure whereby after the Commission's decision regarding the proposed Settlement, the Parties can brief the matter to the Commission for its further determination in this case.

4. **Timing:** The Parties agree to cooperate in seeking approval of the Settlement as soon as is practical, jointly requesting expedited review and a decision of the Commission by Order prior to March 1, 2021, that provides DIUC may implement the 2021 Rates for services beginning March 1, 2021, and DIUC may include the same in its April 1, 2021, quarterly billing.

Q. IS THE SETTLEMENT IN THE PUBLIC INTEREST?

1 **A.** Yes. The Settlement represents a fair, reasonable, and full resolution of most issues
2 of the Parties in this proceeding. In the context of a Settlement such as this the agreed-upon
3 rates are just and reasonable and will allow the Company the opportunity to earn a
4 reasonable return on the basis of its 2014 rate application all while helping to ensure the
5 continuation of reliable and high quality service to its customers.

6 Further, one of the functions of ORS is to facilitate the resolution of disputed issues
7 between parties involving matters before the Commission. The Parties worked together in
8 good faith to reach this Settlement. Finally, the Settlement is beneficial to DIUC and its
9 customers in that it largely brings this matter to an end without delay and the uncertainty
10 of further proceedings. In turn, this permits DIUC to focus on providing reliable and high
11 quality service to its customers, which is consistent with the public interest. The Settlement
12 is in the public interest of South Carolina and ORS respectfully requests that the
13 Commission approve the Settlement as presented.

14 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

15 **A.** Yes, it does.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-346-WS

IN RE: Application of Daufuskie Island Utility)
Company, Incorporated for Approval of)
an Increase for Water and Sewer Rates,)
Terms and Conditions)
_____)

CERTIFICATE OF SERVICE

This is to certify I, Kristy L. Hatem, have this date served one (1) copy of
SOUTH CAROLINA OFFICE OF REGULATORY STAFF'S SETTLEMENT
TESTIMONY AND AFFIDAVIT verifying the pre-filed **SETTLEMENT TESTIMONY**
Of DAWN HIPPIE in the above-referenced matter to the person(s) named below by causing said
copy to be electronically mailed, addressed as shown below:

Carri Grube-Lybarker, Esquire
South Carolina Department of Consumers Affairs
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Kristy L. Hatem

Columbia, South Carolina
This 19th day of February 2021.